

Auditing Procedures Report

Issued under P.A. 2 of 1988, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type		Local Unit Name		County
<input type="checkbox"/> County	<input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other	BRANCH DISTRICT LIBRARY		BRANCH
Fiscal Year End	Opinion Date	Date Audit Report Submitted to State		
12/31/07	01/21/08	2/20/08		

We affirm that:

We are certified public accountants licensed to practice in Michigan.

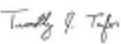
We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).



- Check each applicable box below. (See instructions for further detail.)
- ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
 - ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
 - ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
 - ☒ ☐ The local unit has adopted a budget for all required funds.
 - ☒ ☐ A public hearing on the budget was held in accordance with State statute.
 - ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
 - ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
 - ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
 - ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
 - ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
 - ☒ ☐ The local unit is free of repeated comments from previous years.
 - ☒ ☐ The audit opinion is UNQUALIFIED.
 - ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
 - ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
 - ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input checked="" type="checkbox"/>			
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name)		Telephone Number		
RUMSEY & WATKINS, P.C.		517-279-7931		
Street Address		City	State	Zip
20 TIBBITS PLAZA		COLDWATER	MI	49036
Authorizing CPA Signature		Printed Name		License Number
		TIMOTHY J. TAYLOR		1101015828

BRANCH DISTRICT LIBRARY

FINANCIAL STATEMENTS

DECEMBER 31, 2007

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Rumsey & Watkins, P.C.

Certified Public Accountants and Business Advisors

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INDEPENDENT AUDITOR'S REPORT

**To the Members of the Branch
District Library Board
Branch County, Michigan**

January 21, 2008

We have audited the accompanying financial statements of each major fund of the Branch District Library as of and for the year ended December 31, 2007, which collectively comprise the Library's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Library's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit, also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

The accompanying financial statements do not present government-wide financial statements to display the financial position and changes in the financial position of its governmental activities. Accounting principles generally accepted in the United States of America require the presentation of government-wide financial statements. The amounts that would be reported in government-wide financial statements for the Library's governmental activities are not reasonably determinable.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Branch District Library as of December 31, 2007 or the changes in its financial position for the year then ended.

**To the Members of the Branch
District Library Board
Branch County, Michigan**

January 21, 2008

The budgetary comparison schedules, as identified in the table of contents, are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Branch District Library's basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The accompanying financial statements do not include a management's discussion and analysis, which would present an analysis of the financial performance for the year. The Governmental Accounting Standards Board has determined that this analysis is necessary to supplement, although not required to be a part of, the basic financial statements.

A handwritten signature in dark ink, reading "Rumsey & Watkins P.C.", is centered on the page. The signature is written in a cursive, flowing style.

RUMSEY & WATKINS, P.C.

BRANCH DISTRICT LIBRARY

GOVERNMENTAL FUNDS

BALANCE SHEET

DECEMBER 31, 2007

	General Fund	Special Revenue Trust Fund
ASSETS		
Cash	\$ 207,958	\$ 55,321
Investments	282,689	-
Due from County	74,156	-
Due from City of Coldwater	516	-
Restricted assets:		
Cash	-	83,803
Investments	-	-
Total assets	<u>\$ 565,319</u>	<u>\$ 139,124</u>
LIABILITIES AND FUND BALANCE		
LIABILITIES		
Accounts payable	\$ 19,166	\$ 9
Accrued expenses	22,338	-
Deferred revenue	7,696	-
Total liabilities	49,200	9
FUND BALANCE		
Reserved	-	-
Designated	-	83,803
Undesignated	516,119	55,312
Total fund balance	<u>516,119</u>	<u>139,115</u>
Total liabilities and fund balance	<u>\$ 565,319</u>	<u>\$ 139,124</u>

See Notes to Financial Statements

Capital Projects Fund	Permanent Trust Fund	Total Governmental Funds
\$ 257,976	\$ -	\$ 521,255
-	-	282,689
-	-	74,156
-	-	516
-	52,000	135,803
-	90,134	90,134
<u>\$ 257,976</u>	<u>\$ 142,134</u>	<u>\$ 1,104,553</u>

\$ 937	\$ -	\$ 20,112
-	-	22,338
-	-	7,696
<u>937</u>	<u>-</u>	<u>50,146</u>
-	142,134	142,134
257,039	-	340,842
-	-	571,431
<u>257,039</u>	<u>142,134</u>	<u>1,054,407</u>
<u>\$ 257,976</u>	<u>\$ 142,134</u>	<u>\$ 1,104,553</u>

BRANCH DISTRICT LIBRARY
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2007

	General Fund	Special Revenue Trust Fund
REVENUES		
Taxes	\$ 614,350	\$ -
State aid	37,482	-
Local grants	-	-
Charges for services	17,405	-
Penal fines	413,441	-
Interest earned	21,606	8,411
Donations	-	39,239
Reimbursements	43,769	-
Other revenue	12,631	-
	<hr/>	<hr/>
Total revenues	1,160,684	47,650
EXPENDITURES		
Cultural	1,009,863	6,886
Capital outlay	-	-
	<hr/>	<hr/>
Total expenditures	1,009,863	6,886
	<hr/>	<hr/>
Excess of revenues over expenditures	150,821	40,764
OTHER SOURCES (USES)		
Transfers from (to) other funds	2,000	-
	<hr/>	<hr/>
Excess of revenues and other sources over expenditures and other uses	152,821	40,764
FUND BALANCE - BEGINNING	363,298	98,351
	<hr/>	<hr/>
FUND BALANCE - ENDING	<u>\$ 516,119</u>	<u>\$ 139,115</u>

See Notes to Financial Statements

Capital Projects Fund	Permanent Trust Fund	Total Governmental Funds
\$ 100,220	\$ -	\$ 714,570
-	-	37,482
28,216	-	28,216
-	-	17,405
-	-	413,441
7,214	-	37,231
-	-	39,239
-	-	43,769
600	-	13,231
136,250	-	1,344,584
-	-	1,016,749
81,392	-	81,392
81,392	-	1,098,141
54,858	-	246,443
(2,000)	-	-
52,858	-	246,443
204,181	142,134	807,964
<u>\$ 257,039</u>	<u>\$ 142,134</u>	<u>\$ 1,054,407</u>

BRANCH DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Branch District Library conform to generally accepted accounting principles of the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies:

REPORTING ENTITY:

The Library was formed during 1991 under P.A. 24 and began operations as a separate entity on January 1, 1992. Previously, the Library was a component unit of the County of Branch. The Library operates under an appointed board of seven members and provides library services to the residents of Branch County. The financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include oversight responsibility, scope of public service and special financing relationships.

FUND FINANCIAL STATEMENTS:

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION:

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Library considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, compensated absences and claims and judgments are recorded when payment is due.

The Library reports the following governmental funds:

General Fund is the operating fund of the Library. It is used to account for all the Library's financial resources not required to be accounted for in another fund.

Special Revenue Trust Fund is used to account for donations received and expended for Library purposes.

BRANCH DISTRICT LIBRARY

NOTES TO FINANCIAL STATEMENTS – Continued FOR THE YEAR ENDED DECEMBER 31, 2007

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION: - Continued

Capital Projects Fund is used to account for the portion of the millage designated each year by the Board to be expended for capital outlay.

Permanent Trust Fund is used to account for the assets held by the Library in a trustee capacity for donations. The principle portion must remain intact, but the earnings may be used to achieve the objectives of the donor.

ASSETS, LIABILITIES AND NET ASSETS

Cash and Investments - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at cost, which approximates fair market value. Pooled investment income is generally allocated to each fund using a weighted average.

Capital Assets - The Library implemented portions of the new financial model, as required by the provisions of GASB 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments ("GASB 34"). A portion of GASB No. 34 not implemented by the Library is the government-wide financial statements which display the full accrual financial position and changes in financial position of its government activities. Since the Library did not present government-wide financial statements, the governmental activities capital assets are not reported within the Library's financial statements as of December 31, 2007.

Compensated Absences - As of December 31, 2007, the Library was liable for compensated absences of unused vacation and sick pay for approximately \$55,000. Vacation and sick pay is earned, accumulated and paid on termination based upon the personnel policies governing the various employees.

The Library implemented portions of the new financial model as required by the provisions of GASB 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Government’s (“GASB 34”). A portion of GASB No. 34 not implemented by the Library is the government-wide financial statements which display the full accrual financial position and changes in financial position of its government activities. Since the Library did not present the government-wide financial statements, the governmental activities long-term obligation of \$55,000 is not reported within the Library’s financial statements as of December 31, 2007.

BRANCH DISTRICT LIBRARY

NOTES TO FINANCIAL STATEMENTS – Continued FOR THE YEAR ENDED DECEMBER 31, 2007

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

ASSETS, LIABILITIES AND NET ASSETS – Continued

Fund Balance - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Accounting Change - In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments. The Library has implemented portions of GASB 34.

However, the Library did not present government-wide financial statements to display the financial position and changes in financial position using full accrual accounting for all the Library's activities. These statements would present the Library's governmental activities. In addition, the Library did not include a management's discussion and analysis, which would present an analysis of the financial performance for the year.

Accounting principles generally accepted in the United States of America require the presentation of government-wide financial statements. The amounts that would be reported in the government-wide financial statements for the Library's governmental activities are not reasonably determinable. The Governmental Accounting Standards Board has determined that the management's discussion and analysis is necessary to supplement, although not required to be part of, the basic financial statements.

Because of the effects of the matter discussed in the preceding paragraphs, the Library's financial statements do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Branch District Library as of December 31, 2007 or the changes in its financial position for the year then ended.

BASIS OF BUDGETING:

The Library adopted their annual budgets based on the modified accrual method of accounting. Expenditures were estimated by line item basis, but approved on a functional basis. The Library included an estimated beginning fund balance within the approved budgets. The budgets can only be amended by the Board. Such amendments are reflected in the official minutes of the Board, and are not made after year end as dictated by law. No revisions to the budgets were made during the year.

In the other supplemental information, the Library has provided line item detail for the General Fund for informational purposes only.

BRANCH DISTRICT LIBRARY

NOTES TO FINANCIAL STATEMENTS – Continued FOR THE YEAR ENDED DECEMBER 31, 2007

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

ENCUMBRANCE ACCOUNTING:

Encumbrances are not liabilities and, therefore, are not recorded as expenditures until receipt of material or service. For budgetary purposes, appropriations lapse at fiscal year end and outstanding encumbrances at year end may be reappropriated in the next year. No reservation of fund balance equal to outstanding encumbrances at year end is required.

USE OF ESTIMATES:

The Library uses estimates and assumptions in the preparation of the financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenue and expenditures.

NOTE B - DEPOSITS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the Library to deposit and invest in accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States which the principal and interest is fully guaranteed by the United States, including securities issued or guaranteed by the Government National Mortgage Association; United States government of Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the three highest classifications, which mature not more than 270 days after the date of purchase, and which involve no more than 50 percent of any one fund; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Michigan law prohibits security in the form of collateral, surety bonds, or other forms for the deposit of public money. Attorney General's Opinion No. 6168 states that public funds may not be deposited in financial institutions located in states other than Michigan.

The Library has designated financial institutions for the deposit of Library funds and has authorized the investment in certificates of deposit. The accounts maintained are checking, savings and certificates of deposit and are in accordance with statutory authority. The interest rates of the checking and savings accounts are at variable daily rates. The certificates of deposit are currently earning interest rates of 3.75% and 4.27%.

Investments consist of certificate of deposits with an original maturity date of greater than three months. The investments are carried at cost which approximates market value.

BRANCH DISTRICT LIBRARY

NOTES TO FINANCIAL STATEMENTS – Continued FOR THE YEAR ENDED DECEMBER 31, 2007

NOTE B - DEPOSITS AND INVESMENTS - Continued

Interest rate risk – In accordance with its investment policy, the Library will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in the market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the Library's cash requirements.

Credit risk – State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs). The Library does not allow direct investment in commercial paper or corporate bonds.

Concentration of credit risk – The Library will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the Library's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Custodial credit risk for deposits – In the case of deposits, this is the risk that in the event of a financial institution failure, the Library's deposits may not be recovered. As of December 31, 2007, \$840,455 of the Library's bank balance of \$1,040,455 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial credit risk for investments – For an investment, this is the risk that, in the event of the failure of the counterparty, the Library will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The Library will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the Library will do business.

NOTE C – DUE FROM COUNTY

As of December 31, 2007, the Library has amounts due from the County of Branch in the amount of \$74,156 for penal fines.

BRANCH DISTRICT LIBRARY

NOTES TO FINANCIAL STATEMENTS – Continued FOR THE YEAR ENDED DECEMBER 31, 2007

NOTE D – RESERVED AND DESIGNATED FUND BALANCE

Reserved and designated fund balances, as of December 31, 2007, are as follows:

Reserved:

Permanent Trust Fund:

M. Semmelroth Memorial	\$ 50,000
E. Dallen Memorial	2,000
G. Barnett Memorial	<u>90,134</u>
Total reserved fund balance	<u>\$ 142,134</u>

Designated:

Special Revenue Trust Fund:

E. Dallen Memorial	\$ 748
R. Fisher Memorial	19,508
G. Barnett Memorial	10,874
Bronson operations	<u>52,673</u>
Total Special Revenue Trust Fund	83,803

Capital Projects Fund:

Capital Outlay	<u>257,039</u>
Total designated fund balance	<u>\$ 340,842</u>

NOTE E – TAXES

The Library's property taxes are levied each December 1. Taxes are collected by the local governmental units within Branch County and are remitted to County of Branch, which in turn remits them to the Library.

The 2007 tax rate was .605 of a mill.

Personal property taxes are accounted for as revenue as received, therefore, no provision for uncollectible personal property taxes has been made in these financial statements.

BRANCH DISTRICT LIBRARY

NOTES TO FINANCIAL STATEMENTS – Continued FOR THE YEAR ENDED DECEMBER 31, 2007

NOTE F – TRANSFER FROM (TO) OTHER FUNDS

General Fund:

Transfer from Capital Projects Fund	<u>\$ 2,000</u>
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NOTE G – LEASE AGREEMENT

The library leases its facilities from the City of Coldwater. The initial term of the lease is for twenty-five years, with rent in the amount of \$1 per year.

NOTE H – DEFERRED COMPENSATION PLANS

The Library offers a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan available to all Library employees, permits them to defer a portion of their salary until future years. The deferred compensation is generally not available to the employees until termination, retirement, death or unforeseeable emergency.

The Library funds all amounts of compensation deferred under the plan, at the direction of the covered employee, through investments approved by the plan's committee.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are, held in trust for the exclusive benefit of the participating employees and are not assessable by the Library or its creditors.

The Library has no liability for losses under the plan but does have the duty of due care that would be required of an ordinary prudent investor.

The Library has established Money Purchase Plan for the Library Director. The plan calls for contributions on the Director's behalf and contains no requirements for matching contributions from the participant. The Library contribution for the year ended December 31, 2007 amounted to \$4,000 and is recorded in the General Fund.

NOTE I – RISK MANAGEMENT

The Library is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries. The Library has purchased commercial insurance for the coverage of the above discussed events.

BRANCH DISTRICT LIBRARY
REQUIRED SUPPLEMENTAL INFORMATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2007

	<u>Budgeted Amounts</u>		
	<u>Original</u>	<u>Final</u>	<u>Actual</u>
REVENUES			
Taxes	\$ 605,894	\$ 605,894	\$ 614,350
State aid	36,135	36,135	37,482
Charges for services	20,000	20,000	17,405
Penal fines	260,000	260,000	413,441
Interest earned	18,000	18,000	21,606
Reimbursements	49,503	49,503	43,769
Other revenue	10,000	10,000	12,631
Total revenues	999,532	999,532	1,160,684
EXPENDITURES			
Cultural	1,021,097	1,021,097	1,009,863
Excess (deficiency) of revenues over expenditures	(21,565)	(21,565)	150,821
OTHER SOURCES			
Transfer from other funds	22,000	22,000	2,000
Excess of revenues and other sources over expenditures	435	435	152,821
FUND BALANCE - BEGINNING	335,938	335,938	363,298
FUND BALANCE - ENDING	<u>\$ 336,373</u>	<u>\$ 336,373</u>	<u>\$ 516,119</u>

BRANCH DISTRICT LIBRARY
REQUIRED SUPPLEMENTAL INFORMATION
SPECIAL REVENUE TRUST FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2007

	<u>Budgeted Amounts</u>		
	<u>Original</u>	<u>Final</u>	<u>Actual</u>
REVENUES			
Interest	\$ 6,326	\$ 6,326	\$ 8,411
Donations	<u>12,778</u>	<u>12,778</u>	<u>39,239</u>
Total revenues	19,104	19,104	47,650
EXPENDITURES			
Cultural	<u>6,717</u>	<u>6,717</u>	<u>6,886</u>
Excess of revenues over expenditures	12,387	12,387	40,764
FUND BALANCE - BEGINNING	<u>98,351</u>	<u>98,351</u>	<u>98,351</u>
FUND BALANCE - ENDING	<u><u>\$ 110,738</u></u>	<u><u>\$ 110,738</u></u>	<u><u>\$ 139,115</u></u>

BRANCH DISTRICT LIBRARY
NOTES TO REQUIRED SUPPLEMENTAL INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2007

COMPLIANCE WITH STATE REGULATIONS

A comparison of actual results of operations to the budgeted amounts, at the level of control adopted by the Library, is presented as Required Supplemental Information. The budgets are adopted on the functional level.

During the year the Library incurred expenditures that were in excess of the amounts budgeted, as follows:

	<u>Budget</u>	<u>Actual</u>
Special Revenue Trust Fund:		
Cultural	\$ 6,717	\$ 6,886

BRANCH DISTRICT LIBRARY
OTHER SUPPLEMENTAL INFORMATION
GENERAL FUND
STATEMENT OF EXPENDITURES COMPARED TO BUDGET
FOR THE YEAR ENDED DECEMBER 31, 2007

CULTURAL	Budget	Actual	Over (Under) Budget
Salaries	\$ 589,534	\$ 576,625	\$ (12,909)
Payroll taxes	45,158	44,184	(974)
Workers' compensation	4,000	1,859	(2,141)
Longevity	2,100	875	(1,225)
Deferred compensation	4,000	4,000	-
Board per diem	2,500	2,200	(300)
Hospitalization	65,000	57,757	(7,243)
Employee relations	200	227	27
Education reimbursement	2,000	2,783	783
Contracted services	18,000	18,862	862
Training	2,000	1,933	(67)
Facilities rent	2,000	2,000	-
Telephone	8,000	7,004	(996)
Utilities	37,000	38,914	1,914
Insurance	13,000	11,984	(1,016)
Maintenance	38,000	37,936	(64)
Equipment maintenance	5,500	6,178	678
Network maintenance	24,000	28,687	4,687
Janitorial supplies	100	23	(77)
Operating supplies	10,000	10,991	991
Office supplies	10,000	13,192	3,192
Postage	3,050	3,298	248
Books	79,830	78,626	(1,204)
Periodicals	5,700	5,332	(368)
Audio/visual	10,925	11,528	603
Membership and dues	1,500	1,819	319
Transportation	6,800	6,517	(283)
Community promotions	5,200	5,922	722
Printing and publishing	1,000	3,410	2,410
Professional services	25,000	24,895	(105)
Correction of prior years' taxes	-	302	302
Total Cultural expenditures	<u>\$ 1,021,097</u>	<u>\$ 1,009,863</u>	<u>\$ (11,234)</u>

January 21, 2008

To the Members of the Branch
District Library Board
Branch County, Michigan

In planning and performing our audit of the financial statements of each major fund of the Branch District Library as of and for the year ended December 31, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered Branch District Library's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the governmental unit's internal control. Accordingly, we do not express an opinion on the effectiveness of the governmental unit's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe the following deficiency constitutes a material weakness:

1. The Branch District Library does not have control procedures in place or a member of management with sufficient skills to prepare financial statements in accordance with U.S. generally accepted accounting principles. As is common with smaller entities the Library relies on its independent external auditors to assist in the preparation of the financial statements. Auditors by definition cannot be considered part of the Library's internal controls. The Branch District Library has evaluated the cost vs. benefit of preparing the financial statements and has determined it is in the best interest of the Library to outsource this task to its external auditors.

In addition we noted the following items that we would like to comment on further.

COMPLIANCE WITH STATE REGULATIONS

The State of Michigan requires governmental entities not to incur expenditures in excess of the amount appropriated. The Library for the year ended December 31, 2007 incurred expenditures in excess of amounts appropriated at the functional level. We suggest the Library make budget amendments to adjust appropriations before expenditures are made.

This communication is intended solely for the information and use of management, Branch District Library Board Members, State of Michigan and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Rumsey & Watkins PC".

RUMSEY & WATKINS, P.C.